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SERVICE DATE - LATE RELEASE AUGUST 18, 2000

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. MC-F-20940

LIDLAW INC. AND LIDLAW TRANSIT ACQUISITION CORP.—MERGER—
GREYHOUND LINES, INC.

AGENCY: Surface Transportation Board.

ACTION: The Board is issuing a supplemental order directing the parties to the merger transaction to provide additional information.

SUMMARY: The Surface Transportation Board (Board) approved the merger of Greyhound Lines, Inc. (Greyhound) into Laidlaw Transit Acquisition Corp. (LTAC), a wholly owned subsidiary of Laidlaw Inc. (Laidlaw), a noncarrier,¹ under 49 U.S.C. 14303. Laidlaw Inc. and Laidlaw Transit Acquisition Corp.—Merger—Greyhound Lines, Inc., STB Docket No. MC-F-20940 (STB served Dec. 17, 1998), 63 FR 69710 (Dec. 17, 1998).² In a recent filing with the Securities and Exchange Commission (SEC), Greyhound has indicated that it may not be able to continue operating due to financial difficulties related, at least in part, to financial problems of Laidlaw. We are directing the parties to the merger to provide information that would permit the Board to determine whether further action by the Board is necessary. Interested persons will also be given an opportunity to comment.

DATES: Comments must be filed by September 1, 2000. Replies must be filed September 15, 2000.

ADDRESSES: Send an original and 10 copies of any comments and replies referring to STB Docket No. MC-F-20940 to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001.

¹ By letter filed with the Board on June 13, 2000, Laidlaw advised the Board that Greyhound is now an indirect subsidiary of Laidlaw, as Greyhound is a subsidiary of Laidlaw Transportation, Inc., a noncarrier controlled by Laidlaw, and not a direct subsidiary of Laidlaw as was described and anticipated in the application filed in this proceeding in November 1998.

² The December 17, 1998 order tentatively approved the merger. Because no opposing comments were filed, final Board approval became effective on February 1, 1999, without a further Board order. See 49 CFR 1182.5.

FOR FURTHER INFORMATION CONTACT: Beryl Gordon, (202) 565-1600. [TDD for the hearing impaired: 1-800-877-8339.]

SUPPLEMENTARY INFORMATION: Under 49 U.S.C. 14303, the Board must approve and authorize a proposed merger of intercity bus companies if we find the merger to be consistent with the public interest. In assessing the public interest, we must consider at a minimum: (1) the effect of the proposed merger on the adequacy of transportation to the public; (2) the total fixed charges that would result from the merger; and (3) the interest of affected carrier employees. 49 U.S.C. 14303(b). We may impose conditions governing the merger, id., and issue supplemental orders in a proceeding “[w]hen cause exists,” 49 U.S.C. 14303(j).

In our December 17, 1998 decision, we found that the LTAC-Greyhound merger was consistent with the public interest because, inter alia, at 3, the applicants had:

assert[ed] that the proposed merger will significantly benefit the traveling public, employees, and shareholders, through the synergies, efficiencies, and savings that will result from the combined resources, skill, and operations of the two complementary companies. In this regard, it is anticipated that savings will be derived from volume purchases of vehicles, fuel, equipment, and services, and from reduced overhead and operating costs related to insurance, financing, headquarters, and securities and accounting reporting. The combined companies will be better positioned to manage equipment utilization, to develop financial and strategic plans, and to improve the operations with the goal of enhancing service to the public while achieving growth for the company. In this regard, Laidlaw’s financial strength is expected to assist in reducing Greyhound’s debt and permit investments for growth while improving customer service.

See also Application of Laidlaw, LTAC, and Greyhound at 11-15.

Recent developments, however, bring these assertions into serious question. In a report filed with the SEC for the quarter ending June 30, 2000 (Form 10-Q at 13), Greyhound stated that its main sources of liquidity had been cash flow from operations and funds provided by Laidlaw. Greyhound asserts, however, that “Laidlaw has advised [Greyhound] that cash funding, after August 1, 2000, would be limited to the cash flow generated by [Greyhound] from its operations and that additional funds from Laidlaw would not be available.” Id. Greyhound indicates that Laidlaw has authorized Greyhound to seek additional funding from outside sources, and Greyhound has begun seeking such financing. “Should alternative sources not be available or not be sufficient to meet [Greyhound’s] needs, [Greyhound] may be required to curtail or defer non-essential or essential capital and operating expenditures and may not be able to satisfy its obligations as they become due in the normal course of operations and may not be able to continue to operate as a going concern.” Id. See also Frank Swoboda, “Greyhound Seeks

Financing Sources,” Wash. Post, August 16, 2000, at E3, and Mark Heinzl, “Greyhound Says Parent Laidlaw Has Cut Funds,” Wall St. J., August 17, 2000, at B16.

Greyhound’s statements in its recent SEC filing are troubling. Its contention that it may not be able to continue to operate due, at least in part, to Laidlaw’s financial problems appears to contradict the assertions made in the merger application that “synergies” would result from the merger and that Laidlaw’s financial strength would be used to assist Greyhound. A sudden cessation of operations by Greyhound would not appear to be in the public interest. Accordingly, we find that cause exists to issue this supplemental order requiring Laidlaw and Greyhound to explain the nature of this potential transportation crisis and to indicate what future steps can and will be taken. These comments will be due by September 1, 2000. Copies of these comments will be available on our website at “WWW.STB.DOT.GOV.” Replies by interested parties may be filed by September 15, 2000. Based on the record developed, we will decide whether to impose conditions or take some other action in this proceeding.³

This decision will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The applicants in this proceeding are directed to submit comments in response to this order by September 1, 2000. Interested parties may comment or reply by September, 15, 2000.

2. A copy of this notice will be served on: (1) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; (2) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration - HMCE-20, 400 Virginia Avenue, S.W., Suite 600, Washington, DC 20024; and (3) the U.S. Department of Transportation, Office of the General Counsel, 400 7th Street, S.W., Washington, DC 20590.

3. Notice of this decision will be published in the Federal Register.

³ The Board recently issued a notice tentatively approving Laidlaw’s acquisition of additional carriers in Laidlaw Inc., et al. – Control and Merger – 918897 Ontario Inc., B. R. Babcock Limited, Babcock Coach Lines Limited, Lee Line Corp., and Lee Charter Services, Inc., STB Docket No. MC-F-20972 (STB served July 13, 2000), 65 FR 43395 (July 13, 2000). Public comments on that proposed transaction are currently due on August 28, 2000, but, in light of the recent SEC filings, the Board will be issuing a separate decision holding up the effectiveness of any approval in that proceeding.

Decided: August 18, 2000.

By the Board, Chairman Morgan, Vice Chairman Burkes, and Commissioner Clyburn.

Vernon A. Williams
Secretary